

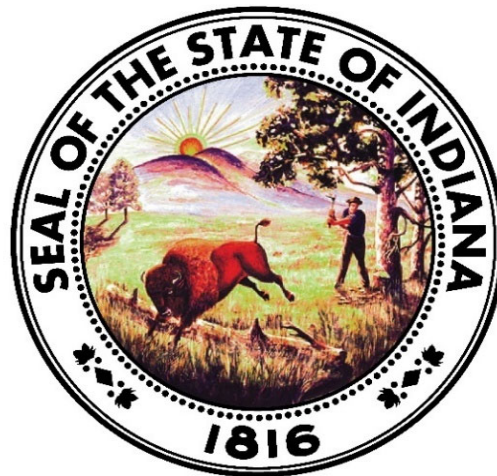
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

KNOX COUNTY, INDIANA

January 1, 2023 to December 31, 2023



**FILED**

08/15/2024



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Lisa Clark/Benock	01-01-23 to 12-31-24
County Treasurer	Cendy Joslin	01-01-23 to 12-31-24
Clerk of the Circuit Court	David Shelton	01-01-23 to 12-31-24
County Sheriff	Doug Vantlin	01-01-23 to 12-31-24
County Recorder	Kelley Hopwood	01-01-23 to 12-31-24
President of the Board of County Commissioners	Kellie E. Streeter	01-01-23 to 12-31-24
President of the County Council	Harry Nolting Richard Chattin	01-01-23 to 12-31-23 01-01-24 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF KNOX COUNTY, INDIANA

This report is supplemental to the audit report of Knox County (County), for the period from January 1, 2023 to December 31, 2023. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with the Financial Statement Audit Report of the County, which provides our opinions on the County's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE  
Deputy State Examiner

July 31, 2024

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COUNTY AUDITOR  
KNOX COUNTY

COUNTY AUDITOR  
KNOX COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal controls were not in place to ensure that the County complied with laws and regulations. Internal control deficiencies resulted in noncompliance over the following areas and are detailed further in the comments below:

- Annual Financial Report - Other Information
- Motor Vehicle Highway Restrict Fund Disbursements
- Monthly and Annual Uploads to Gateway

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

**ANNUAL FINANCIAL REPORT - OTHER INFORMATION**

The same comment also appeared in prior Report 000000286S.

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The County had not established effective internal controls to ensure the accuracy of the AFR information entered into Gateway, which resulted in the following errors:

*Payables and Receivables*

The County did not report amounts for accounts payables and accounts receivables, nor did they maintain any supporting documentation for payables and receivables. The County elected not to present the schedule as part of its Financial Statement Audit Report.

COUNTY AUDITOR  
KNOX COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Schedule of Leases and Debt*

- The 2022 Knox County Jail and Community Corrections Lease Rental Bonds - Jail Improvements were omitted from the schedule, which included an understatement of annual lease payments of \$1,827,000.
- The 2023 524 P-Tier Wheel Loader was overstated by \$3,545.
- Two 2023 190GW Wheeled Excavators were overstated by \$8,250, in total.

In total, these items resulted in an understatement of \$1,815,205, as of December 31, 2023.

Adjustments were proposed, accepted by the County, and made to the Schedule of Leases and Debt presented as Other Information in the Financial Statement Audit Report of the County.

*Criteria*

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Counties of Indiana, Chapter 1)

**MOTOR VEHICLE HIGHWAY (MVH) - RESTRICTED FUND DISBURSEMENTS**

*Condition and Context*

Disbursements from the Motor Vehicle Highway Restricted fund were to be specifically related to construction, reconstruction, or preservation of the County's highways.

One of the ten disbursements tested was for winter-related expenses.

*Criteria*

Indiana Code 8-14-1-4(b) states: "Except as provided in subsection (c), for funds distributed to a county from the motor vehicle highway account, the county shall use at least fifty percent (50%) of the money for the construction, reconstruction, and preservation of the county's highways."

**MONTHLY AND ANNUAL UPLOADS TO GATEWAY**

*Condition and Context*

The County did not upload the Funds Ledger summarizing total receipts, disbursements, and beginning and ending balances by fund for December 2023 to the Indiana Gateway for Government Units (Gateway) financial reporting system.

The County did not upload the following annual files and governmental unit information to Gateway for 2023:

- Annual Payroll History Report - without social security numbers.
- Excel Data Capture/data dump.

COUNTY AUDITOR  
KNOX COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

- Direct Federal Grant Agreements/Award Letters and Amendments Initiated During the Year.
- Agreements for Subawards Made to Subrecipients for all Federal Grants Initiated During the Year.
- Detail of Receipts by fund and account (if data capture not available).
- Detail of Disbursements by fund and account (if data capture not available).

*Criteria*

Beginning with July 2018 files, which will be due September 15, 2018, **all** cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. (State Examiner Directive 2018-1)

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY AUDITOR  
KNOX COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2024, with Lisa Clark/Benock, County Auditor; Julie Lancaster, Bookkeeper; Kellie E. Streeter, President of the Board of County Commissioners; Trent Hinkle, County Commissioner; Richard Chattin, President of the County Council; Dan Reitmeyer, County Council member; and Jay Yochum, County Council member.

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COUNTY SHERIFF  
KNOX COUNTY

COUNTY SHERIFF  
KNOX COUNTY  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal controls were not in place to ensure that the County complied with laws and regulations. Internal control deficiencies resulted in noncompliance over the following areas and are detailed further in the comments below:

- Capital Assets - Commissary
- Errors on Claim - Commissary
- Federal Grant Posted Directly to Commissary Fund
- Semiannual Copy of Ledger not Presented to County Council - Commissary
- 1099 not Filed on Employee Compensation - Commissary

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

**CAPITAL ASSETS - COMMISSARY**

*Condition and Context*

The Commissary Fund purchased a new truck during 2023 in the amount of \$27,410. The truck was not recorded on the detailed capital assets listing for the County Sheriff's Department as of December 31, 2023. The capital assets policy states all vehicles have a capitalization threshold of \$20,000.

COUNTY SHERIFF  
KNOX COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Criteria*

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

**ERRORS ON CLAIMS - COMMISSARY**

*Condition and Context*

Twenty-four commissary claims were tested for allowability in accordance with Indiana Code 36-8-10-21(d) and compliance with Indiana Code 5-11-10-1.6. The following issues were noted on the claims reviewed:

- Six claims totaling \$3,318 were paid without supporting documentation, such as a detailed invoice or, in the case of the debit card, additional information detailing who received the card and the purpose. According to the commissary ledger, the expenditures were for food, clothes, and the purchase of a debit card. This amount included a fee of \$4 on the debit card.

*Criteria*

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) There is a fully itemized invoice or bill for the claim.
- (2) The invoice or bill is approved by the officer or person receiving the goods and services.
- (3) The invoice or bill is filed with the governmental entity's fiscal officer.
- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct.
- (5) Payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

COUNTY SHERIFF  
KNOX COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**FEDERAL GRANT POSTED TO COMMISSARY FUND**

*Condition and Context*

The SRT Camera Grant in the amount of \$33,000 from the Department of Justice was deposited into the Commissary Fund on November 10, 2023. This was a federal grant titled Body Worn Camera Policy and Implementation, ALN# 16.835. The grant should have been accounted for in the County Auditor's ledger and reported on the County's Schedule of Expenditures of Federal Awards (SEFA). Since the County Auditor was not aware of this federal grant, it was not included on the SEFA; however, an adjustment was made to include the grant on the SEFA.

All grant funds should be accounted for through the County Auditor. The department head should inform the County Auditor of any grants they have been awarded.

*Criteria*

Indiana Code 36-8-10-21(c) states: "The sheriff, or the sheriff's designee, shall deposit all money from commissary sales into the fund, which the sheriff or the sheriff's designee shall keep in a depository designated under [IC 5-13-8](#)."

Indiana Code 36-1-8-12(a) states:

"If a political subdivision other than a school corporation receives state grant money requiring local matching money, the political subdivision shall create a special fund and deposit the grant money and matching money into the special fund. The money in the fund may be used only for the purposes of the grant."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

The State Board of Accounts prescribes the use of fund accounting to provide accountability for government activities and financial status. This means that individual funds are used to segregate financial activity based on sources and uses which helps promote transparency.

It has come to our attention recently that federal grants are being commingled with other tax levy funds when the uses are similar if not the same. Federal grants should be maintained in their own separate fund with the 8000 series, per the prescribed Chart of Accounts, which can be found at [https://www.in.gov/sboa/files/Funds-and-Account-Tables-09\\_01\\_20.pdf](https://www.in.gov/sboa/files/Funds-and-Account-Tables-09_01_20.pdf). Accounting for grants separately not only promotes transparency but helps when gathering information for the required Schedule of Expenditures of Federal Awards (SEFA).

(The County Bulletin and Uniform Compliance Guidelines, March 2021)

COUNTY SHERIFF  
KNOX COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**SEMIANNUAL COPY OF LEDGER NOT PRESENTED TO COUNTY COUNCIL - COMMISSARY**

*Condition and Context*

The semiannual copy of receipts and disbursements was not presented to the County Council on July 1 and December 31, as required.

County Form 205, Ledger of Receipts, Disbursements and Balances for Commissary Fund, was not used. The ledger presented for audit does not include a column to identify the expenditure categories listed in Indiana Code 36-8-10-21(d).

*Criteria*

Indiana Code 36-8-10-21(e) states:

"The sheriff shall maintain a record of the fund's receipts and disbursements. The state board of accounts shall prescribe the form for this record. The sheriff shall semiannually provide a copy of this record of receipts and disbursements to the county fiscal body. The semiannual reports are due on July 1 and December 31 of each year."

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

**FORM 1099 NOT FILED ON EMPLOYEE COMPENSATION - COMMISSARY**

*Condition and Context*

An employee of the County Sheriff's Department was paid \$750 for clerical contract work from the Commissary Fund without a Form 1099 issued for federal withholding tax purposes.

*Criteria*

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF  
KNOX COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2024, with Doug Vantlin, County Sheriff; Lisa Clark/Benock, County Auditor; Julie Lancaster, Bookkeeper; Kellie E. Streeter, President of the Board of County Commissioners; Trent Hinkle, County Commissioner; Richard Chattin, President of the County Council; Dan Reitmeyer, County Council member; and Jay Yochum, County Council member.